

1 Issue V.8 ***Competitive Tandem Service*** Should the contract terms relating to the Parties'
2 joint provision of terminating meet point traffic to an IXC customer be reciprocal,
3 regardless of which Party provides the tandem switching function? Put another
4 way, should the contract terms make clear that AT&T and Verizon are peer local
5 exchange carriers and should not bill one another for meet point traffic

6 **Q. WHAT IS THE CURRENT STATUS OF THIS ISSUE?**

7 A. In our Direct Testimony, beginning at page 114, we describe how AT&T has
8 modified its position on this issue. As is clear from its Intercarrier Compensation
9 Testimony, Verizon has refused to agree that competitive tandem service and
10 meet point billing arrangements should be treated alike in the interconnection
11 agreement. As set forth in the Petition, AT&T originally sought to have the same
12 contract terms apply to both competitive tandem service and meet point billing
13 arrangements. Although we strongly disagree with Verizon's position on this
14 issue and believe that the objections raised by Verizon in its Intercarrier
15 Compensation Testimony have little merit, that issue is no longer relevant.
16 AT&T has conceded to have a separate contract section addressing competitive
17 tandem services, provided that the contract terms are consistent with AT&T's
18 rights under the law and allow AT&T to efficiently offer its competitive tandem
19 service. Hand in hand with AT&T's concession, we provided revised contract
20 terms for competitive tandem service as Exhibit DLT-9 to our Direct Testimony.

21 **Q. YOU STATED THAT VERIZON'S OBJECTIONS TO A SINGLE SET OF**
22 **TERMS FOR COMPETITIVE TANDEM SERVICE AND MEET POINT**
23 **BILLING ARRANGEMENTS HAVE LITTLE MERIT. WOULD YOU**
24 **ELABORATE?**

25 A. Competitive tandem service and meet point billing arrangements are functionally
26 identical. In each case the two LECs collectively perform tandem switching,

1 tandem transport and local switching. Under a meet point billing arrangement,
2 the ILEC normally provides only the tandem switching and the CLEC provides
3 the tandem transport and local switching (although the CLEC may have the ILEC
4 provide the tandem transport). Under competitive tandem service, the CLEC
5 provides tandem switching and tandem transport and the ILEC provides local
6 switching. The service is the same in both cases, the roles of the carriers are just
7 reversed. Verizon admits as much on page 14 describing meet point billing
8 arrangements, “two LEC’s are involved in the joint provisioning of switched
9 access service to an IXC... The joint provisioning comes from the fact that the
10 two LECs each provide a portion of the access service to an IXC.”

11 Because the competitive tandem service and meet point billing
12 arrangements are functionally identical, Verizon attempts to makes the distinction
13 that meet point billing arrangements are limited solely to situations where one
14 LEC “chooses” to subtend another LEC’s tandem. The problem with this view
15 point is that it leaves the decision of how tandem services will be offered in the
16 hands of the party with the market power - Verizon. All Verizon has to do is not
17 agree to the arrangement as proposed by AT&T, which is what Verizon has done
18 to date. We believe that the customer who is paying for the service, the IXC in
19 this circumstance, not Verizon, should have the right to determine which party
20 will provide what functions. It is not in the public interest to foreclose tandem
21 services from competition. Adopting Verizon’s proposal to omit terms for
22 competitive tandem services would have that effect.

1 **Q. IS AT&T ATTEMPTING TO AVOID PAYMENT OF CHARGES TO**
2 **VERIZON?**

3 A. No. As we stated, AT&T is willing to compensate Verizon for each function that
4 Verizon provides to AT&T for competitive tandem service. Since virtually all
5 competitive tandem service traffic is direct end office routed (*i.e.*, directly
6 between the AT&T switch and the Verizon end office), the only function
7 normally provided by Verizon is local switching. The rates that would apply to
8 the functions provided by Verizon for competitive access service are addressed in
9 our testimony on Issue V.1.

10 **Q. HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?**

11 A. Since AT&T has conceded to have separate contract terms for competitive access
12 service and meet point billing arrangements and Verizon admits that the
13 competitive tandem service arrangement is technically feasible, the Commission
14 should act consistent with the goal of fostering competition and adopt the revised
15 contract terms which AT&T proposed as Exhibit DLT-9 to our Direct Testimony.
16 The Commission should decide, as a separate matter under Issue V.1, that the
17 Verizon rates applicable to the competitive tandem service functions provided by
18 Verizon are UNE rates.

19

1 Issue III.5 ***Tandem Rate*** Where the geographic coverage of an AT&T switch is
2 comparable to that of a Verizon tandem, should AT&T and Verizon receive comparable
3 reciprocal compensation for terminating the other parties' traffic?

4 **Q. CAN YOU COMMENT ON VERIZON'S STATEMENT ON PAGE 26 OF**
5 **ITS INTERCARRIER COMPENSATION TESTIMONY THAT IT**
6 **SHOULD BE ABLE TO AVOID PAYING CLECS THE TANDEM RATE**
7 **SO IT CAN HAVE COMPARABLE INTERCONNECTION CHOICES?**

8 A. Yes. Once again, Verizon, ignoring its status as the ubiquitous ILEC, wants
9 symmetrical treatment on an interconnection issue even though that symmetrical
10 treatment is not provided for by law and would not make sense given the
11 differences in CLECs' network architecture. Verizon complains that even if a
12 CLEC switch meets the tandem criteria, Verizon is "unable to take advantage of a
13 lower end office rate by bypassing the tandem and connecting directly to the
14 CLEC's end office switch." Verizon is once again missing the point. Rule
15 51.711(a)(3) was created to provide a proxy for the additional costs a *CLEC*
16 incurs in terminating Verizon's traffic where the CLEC network (switch and
17 distribution facilities) is designed to serve an area comparable to an ILEC tandem
18 switch. The issue is not whether *Verizon* has an option to pay less for reciprocal
19 compensation. The issue is whether Verizon should be required to compensate
20 CLECs for the costs they incur in terminating Verizon's traffic. The answer is
21 yes, and Rule 51.711(a)(3) has established the proxy to be used to enable CLECs
22 to recover these costs.

1 **Q. DOES VERIZON ACCURATELY DESCRIBE THE TANDEM CRITERIA**
2 **IN ITS TESTIMONY?**

3 A.. No. Verizon asserts that AT&T is “overstating the facts” on this issue, but the
4 reality is that Verizon misstates the law. AT&T has presented the facts necessary
5 to meet the standard which is set forth in the law.

6 **Q. PLEASE EXPLAIN.**

7 A. Verizon’s witnesses state on page 26 that CLECs should be required “to
8 demonstrate actual functional and geographic comparability for each of their
9 switches” in order to receive the tandem switching rate. They also state on page
10 27, that geographic comparability requires a demonstration that each switch
11 “actually serves a geographically dispersed customer base”. As we stated in our
12 Direct Testimony on pages 102-104, there is no requirement that CLEC switches
13 meet a functionality test in order to qualify for the tandem rate. Geographic
14 comparability is the *only* applicable test set forth in Rule 51.711 (a)(3). In
15 addition, as we further pointed out at pages 108-111 in our Direct Testimony, the
16 geographic comparability test does not require that a CLEC switch actually serves
17 a comparable geographic area in order to receive the tandem rate. Thus, the facts
18 are not “overstated” as Verizon claims. AT&T has presented the evidence
19 necessary to meet the standard set forth in Rule 51.711(a)(3), which qualifies it to
20 receive the tandem rate.

21 **Q. CAN YOU COMMENT ON VERIZON’S PROPOSAL FOR A NEW**
22 **TANDEM RATE PROXY RULE?**

23 A. Yes. Verizon’s witnesses propose on page 28 a new proxy rule that they claim
24 should apply when a CLEC’s network employs a single-tier interconnection

1 structure. This rule would require CLECs to charge Verizon “the average rate
2 charged by Verizon VA to the CLEC for call termination during the previous
3 calendar quarter.” The major flaw in this proposal is that it bears absolutely no
4 relationship to the costs incurred by the CLEC for terminating Verizon’s traffic,
5 and Verizon has provided not a scintilla of evidence that it does. A proxy, by its
6 very nature, is supposed to provide an approximation of costs. This does not.

7 Since the parties have agreed to one-way trunks, there is absolutely no
8 relationship between the ratio of traffic that is terminated at Verizon’s tandems
9 and end offices, to the costs incurred by the CLECs for terminating Verizon’s
10 traffic. The average rate simply reflects the costs incurred by *Verizon* to terminate
11 the CLECs traffic. These average costs are driven by the CLECs choices about
12 where to interconnect – they have nothing to do with where Verizon’s traffic is
13 delivered to the CLEC and the resultant costs incurred by the CLEC to terminate
14 that traffic. In summary, Verizon’s proposal on its face cannot be an accurate
15 proxy of a CLECs termination costs and Verizon has provided no evidence or
16 reasoning as to why it is preferable to the established proxy in set forth in
17 Rule 51.711(a)(3).

18 **Q. VERIZON’S WITNESSES ON PAGE 27 REFERENCE THE FCC’S**
19 **INTERCARRIER COMPENSATION NPRM AS SOMEHOW**
20 **SUPPORTING VERIZON’S POSITION. CAN YOU COMMENT ON**
21 **THIS?**

22 A. Yes. In the *Intercarrier Compensation NPRM*, the FCC confirmed that the
23 tandem rate standard was limited to geographic comparability, not to tandem
24 functionality. It did indicate, however, that it would reexamine the effect of this

1 current rule in that proceeding to determine whether it is appropriate to change the
2 rule in the future. However, as we stated in our earlier testimony, this arbitration
3 is not the appropriate forum to revise existing industry rules, because an
4 arbitration only concerns the parties to the arbitration. Verizon's proposal, on the
5 other hand, has potential implications to all carriers. The appropriate place is in
6 the context of the NRPM. Therefore, Verizon's revised 'proxy' rule should be
7 rejected.

8

1 Issue VII-8 **Transport Rates** Should AT&T be permitted to pay the end office rate for
2 delivery to Verizon's tandem, and thereby avoid paying its fair share of transport costs by
3 failing to pay that tandem rate?

4 **Q. ON PAGE 22 OF VERIZON'S INTERCARRIER COMPENSATION**
5 **TESTIMONY, VERIZON CLAIMS THAT AT&T SHOULD NOT BE**
6 **PERMITTED TO PAY THE END OFFICE RATE, RATHER THAN THE**
7 **TANDEM RATE, FOR DELIVERY OF TRAFFIC TO VERIZON VA'S**
8 **TANDEM. HOW DO YOU RESPOND?**

9 A. Verizon's issue is baseless. AT&T agrees to pay the tandem interconnection rate
10 when AT&T routes its traffic through Verizon's tandem. However, AT&T does
11 not agree to pay the tandem rate when AT&T routes traffic to Verizon via direct
12 end office trunks. Clearly, the end office rate should apply in that situation. It is
13 difficult to tell from Verizon's testimony, but it appears that Verizon is asserting
14 that if AT&T establishes a POI at a Verizon serving wire center and then orders
15 transport from such POI to another Verizon serving wire center where AT&T's
16 traffic would terminate (*e.g.*, on direct end office trunks), that AT&T should
17 compensate Verizon for the transport between the POI and the terminating
18 Verizon end office.

19 **Q. DOES AT&T DISAGREE WITH THAT NOTION?**

20 A. No. However, in such a case the appropriate compensation to Verizon would
21 include charges for the transport between the POI and the terminating Verizon
22 end office at the UNE interoffice facility rate, not at the per minute tandem
23 transport rate.

1 **Q. IS AT&T PERMITTED TO UTILIZE A POI AT A VERIZON SERVING**
2 **WIRE CENTER, WHICH ALSO HOUSES A VERIZON TANDEM**
3 **SWITCH, TO ESTABLISH DIRECT END OFFICE TRUNKS BETWEEN**
4 **AN AT&T SWITCH AND ANOTHER VERIZON END OFFICE?**

5 A. Yes. FCC rules permit AT&T to establish a single POI in the LATA. That single
6 POI may be used to establish trunks between the AT&T switch and any Verizon
7 switch in the LATA. In such a situation Verizon would provide AT&T transport
8 between AT&T's POI and each Verizon switch to which AT&T orders trunks.

9 **Q. HOW SHOULD VERIZON BE COMPENSATED FOR SUCH**
10 **TRANSPORT?**

11 A. AT&T should compensate Verizon for the transport between the POI and a distant
12 Verizon switch at the UNE dedicated transport rate. If AT&T were to
13 compensate Verizon at the per minute tandem rate, where the distant Verizon
14 switch is an end office, Verizon would be over compensated because Verizon
15 would be recovering tandem switching costs even though it was not providing
16 AT&T with any tandem switching in the described arrangement.

17 **Q. WOULD YOU AGREE THAT IT SOUNDS AS IF VERIZON AND AT&T**
18 **AGREE ON THE SUBSTANCE OF THIS ISSUE?**

19 A. Yes.

20 **Q. HOW DOES AT&T PROPOSE TO RESOLVE THE ISSUE?**

21 A. AT&T proposes the following revision to its proposed contract terms for this
22 issue in an effort to resolve the matter. AT&T's revised language is in upper case
23 type.

24 5.7.4 AT&T will pay VZ the approved rate for termination of Local Traffic
25 at the Tandem Office rate (including both transport and End Office
26 termination) for Local Traffic AT&T delivers to VZ via tandem

1 trunks, and AT&T will pay VZ the approved rate for End Office
2 termination for Local Traffic AT&T delivers to VZ via end office
3 trunks. VZ will pay AT&T the approved Tandem Office rate set forth
4 in Exhibit A for Local Traffic VZ delivers to AT&T. IN ADDITION
5 TO THE FOREGOING, WHERE EITHER PARTY DELIVERS
6 TRAFFIC TO THE OTHER PARTY AT A POI LOCATION THAT
7 IS DISTANT FROM THE TERMINATING SWITCH, THE PARTY
8 DELIVERING THE TRAFFIC TO THAT LOCATION WILL PAY
9 THE OTHER PARTY THAT PARTY'S APPROVED DEDICATED
10 TRANSPORT RATE FOR THE DISTANCE BETWEEN THE POI
11 AND TERMINATING SWITCH.

12 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

13 **A.** Yes it does.

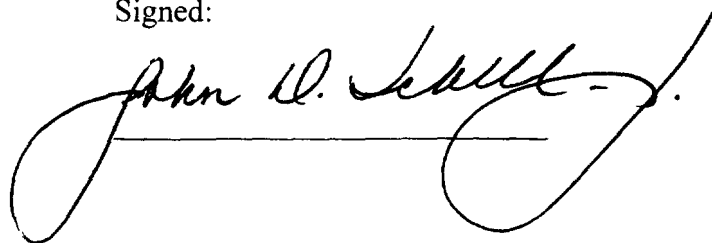
I, David L. Talbott, hereby swear and affirm that the foregoing rebuttal testimony was prepared by me or under my direct supervision or control and is true and accurate to the best of my knowledge and belief.

Signed:

A handwritten signature in black ink, appearing to be "D. Talbott", written over a horizontal line.

I, John D. Schell, Jr. hereby swear and affirm that the foregoing rebuttal testimony was prepared by me or under my direct supervision or control and is true and accurate to the best of my knowledge and belief.

Signed:

A handwritten signature in black ink, reading "John D. Schell, Jr.", written over a horizontal line. The signature is stylized with large loops and a long horizontal stroke.

VIRGINIA NETWORK INTERCONNECTION COST ANALYSIS


COSTS ALLOCATED TO EACH PARTY UNDER AT&T PROPOSAL

	2001		2002		2003		2004		2005	
	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ
DEOT										
Tandem										
Common										
FG-D										
Total										
Collective Total										

COSTS ALLOCATED TO EACH PARTY UNDER A TANDEM COMPROMISE PROPOSAL

	2001		2002		2003		2004		2005	
	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ
DEOT										
Tandem										
Common										
FG-D										
Total										
Collective Total										

This work sheet summarizes the allocation of costs under various network interconnection alternatives. Detailed cost basis for this summary is provided on the four associated worksheets as labeled.

MONTHLY PER LINE COSTS FOR 2001		
	AT&T COSTS	VERIZON COSTS
Under AT&T's proposal		
Under a Tandem Compromise proposal		

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